

**PIERCE TOWNSHIP
CLERMONT COUNTY
Regular Audit
For the Years Ended December 31, 2013 and 2012**

Perry & Associates
Certified Public Accountants, A.C.



Dave Yost • Auditor of State

Board of Trustees
Pierce Township
950 Locust Corner Road
Cincinnati, OH 45245

We have reviewed the *Independent Auditor's Report* of Pierce Township, Clermont County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2012 through December 31, 2013. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Pierce Township is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

December 22, 2014

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**PIERCE TOWNSHIP
CLERMONT COUNTY**

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CLERMONT COUNTY**

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INDEPENDENT AUDITOR'S REPORT

December 3, 2014

Pierce Township
Clermont County
950 Locust Corner Road
Cincinnati, OH 45245

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of **Pierce Township**, Clermont County, Ohio (the Township), as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Township's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Township's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Pierce Township, Clermont County, Ohio, as of December 31, 2013 and 2012, and the respective changes in cash financial position and the respective budgetary comparison for the General, Road & Bridge, Police, Fire and Garbage & Waste Disposal District Funds thereof for the years then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

We draw attention to Note 2 of the financial statements, which describes the accounting basis, which differs from generally accepted accounting principles. We did not modify our opinion regarding this matter.

Other Matters

Supplemental and Other Information

We audited to opine on the Township's financial statements that collectively comprise its basic financial statements.

Management's Discussion & Analysis includes tables of net position, changes in net position, and long-term debt. This information provides additional analysis and is not a required part of the basic financial statements.

These tables are management's responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected these tables to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling these tables directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and in accordance with auditing standards generally accepted in the United States of America. In our opinion, these tables are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and we express no opinion or any other assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2014, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.



Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

**Pierce Township
Clermont County**
*Management's Discussion and Analysis
For the Year Ended December 31, 2013
Unaudited*

The discussion and analysis of Pierce Township's financial performance provides an overall review of the Township's financial activities for the year ended December 31, 2013, within the limitations of the Township's cash basis of accounting. Readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the Township's financial performance.

Financial Highlights

Key financial highlights for 2013 are as follows:

General receipts accounted for \$6,133,263 of all receipts. Program specific receipts in the form of charges for services and operating grants, contributions, and interest accounted for \$1,588,128 of total receipts of \$7,721,391.

The Township had \$6,836,070 in disbursements; only \$1,588,128 of these disbursements was offset by program specific charges for services, grants, contributions, and interest.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Township's cash basis of accounting.

Report Components

The Statement of Net Position and the Statement of Activities provide information about the cash activities as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Township as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the basic financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanations and details regarding the information reported in the statements.

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Township has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Township's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

**Pierce Township
Clermont County**
*Management's Discussion and Analysis
For the Year Ended December 31, 2013
Unaudited*

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related disbursements (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

Reporting the Township as a Whole

Statement of Net Position and the Statement of Activities - Cash Basis

The Statement of Net Position and the Statement of Activities reflect how the Township did financially during 2013, within the limitations of cash basis accounting. The Statement of Net Position presents the cash balances and investments of the governmental activities of the Township at year-end. The Statement of Activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services, and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental program draws from the Township's general receipts.

These statements report the Township's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Township's financial health. Over time, increases or decreases in the Township's cash position is one indicator of whether the Township's financial health is improving or deteriorating. When evaluating the Township's financial condition, you should also consider other nonfinancial factors as well, such as the Township's property tax base, the condition of the Township's capital assets, the extent of the Township's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local receipt sources such as property taxes.

Reporting the Township's Most Significant Funds

Fund Financial Statements

Fund financial statements provide detailed information about the Township's major funds, not the Township as a whole. The Township uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the Township's most significant funds. The Township's major governmental funds are the General, Road and Bridge, Police, Fire, and Garbage and Waste Disposal District Funds.

**Pierce Township
Clermont County**
*Management's Discussion and Analysis
For the Year Ended December 31, 2013
Unaudited*

Governmental Funds

The Township's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported on a cash basis. The governmental fund statements provide a detailed short-term view of the Township's general governmental operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future.

The Township as a Whole

Table 1 provides a summary of the Township's net position for 2013 compared to 2012.

Table 1 Net Position			
	2013	2012	Change
Assets:			
Current Assets	\$10,425,851	\$9,540,530	\$885,321
Net Position:			
Restricted for:			
Debt Service	\$92,301	\$92,232	\$69
Capital Projects	380	380	0
Public Safety	5,156,523	4,550,648	605,875
Public Works	2,755,676	2,580,366	175,310
Other Purposes	124,203	84,588	39,615
Unrestricted	2,296,768	2,232,316	64,452
<i>Total Net Position</i>	\$10,425,851	\$9,540,530	\$885,321

The increase in Total Net Position from the prior year was a result of the Township monitoring disbursements more closely.

**Pierce Township
Clermont County**
*Management's Discussion and Analysis
For the Year Ended December 31, 2013
Unaudited*

Table 2 shows the change in net position for 2013 compared to 2012.

Table 2
Change in Net Position

	2013	2012	Change
Receipts:			
Program Cash Receipts:			
Charges for Services	\$524,686	\$566,339	(\$41,653)
Operating Grants, Contributions, and Interest	1,063,442	1,045,728	17,714
<i>Total Program Cash Receipts</i>	<u>1,588,128</u>	<u>1,612,067</u>	<u>(23,939)</u>
General Receipts:			
Property Taxes Levied for:			
General Purposes	293,652	282,437	11,215
Debt Service	37,957	37,957	0
Public Safety	3,905,950	3,676,723	229,227
Public Works	1,251,399	1,228,428	22,971
Interest	8,138	5,639	2,499
Grants and Entitlements not Restricted	238,797	290,195	(51,398)
Cable Franchise Fees	71,123	70,566	557
Payment in Lieu of Taxes	286,590	285,355	1,235
Miscellaneous	39,657	194,928	(155,271)
<i>Total General Receipts</i>	<u>6,133,263</u>	<u>6,072,228</u>	<u>61,035</u>
<i>Total Receipts</i>	<u>7,721,391</u>	<u>7,684,295</u>	<u>37,096</u>
Cash Disbursements:			
General Government	603,720	619,812	16,092
Public Safety	4,127,631	3,991,173	(136,458)
Public Works	1,722,931	1,529,334	(193,597)
Health	169,585	139,086	(30,499)
Human Services	12,525	24,822	12,297
Capital Outlay	79,847	111,485	31,638
Debt Service:			
Principal Retirement	97,710	81,757	(15,953)
Interest and Fiscal Charges	22,121	23,966	1,845
<i>Total Cash Disbursements</i>	<u>6,836,070</u>	<u>6,521,435</u>	<u>(314,635)</u>
<i>Change in Net Position</i>	885,321	1,162,860	(277,539)
<i>Net Position at Beginning of Year</i>	9,540,530	8,377,670	1,162,860
<i>Net Position at End of Year</i>	<u>\$10,425,851</u>	<u>\$9,540,530</u>	<u>\$885,321</u>

Government-wide disbursements increased \$314,635.

**Pierce Township
Clermont County**
*Management's Discussion and Analysis
For the Year Ended December 31, 2013
Unaudited*

The Township's Funds

Information about the Township's major funds starts on page 11. These funds are accounted for using the cash basis of accounting. All governmental funds had total receipts of \$7,721,391 and total disbursements of \$6,836,070.

All major fund balances, with the exception of the General and Garbage and Waste Disposal District Funds, increased in 2013. The increases in the Police Fund, Fire Fund, and Road and Bridge Fund of \$456,791, \$78,594, \$96,360, respectively, are due to revenues exceeding disbursements as a result of the continuance of monitoring disbursements more closely. The fund balance for the nonmajor Walmart TIF Fund increased by \$231,437 due to the collection of additional TIF monies.

General Fund Budgeting Highlights

The Township's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

For the General Fund, the final budget basis receipts estimate decreased from the original budget basis estimate by \$102,688 due to a projected inheritance tax that what was not received. Actual receipts increased \$6,582 from the final budget, which is insignificant.

Final appropriations of \$2,384,723 decreased from original appropriations of \$2,487,411. Actual disbursements decreased \$1,633,154 from final appropriations. The Township's budgeting systems are designed to tightly control total budgets but provide flexibility for management.

Debt Administration

At December 31, 2013, the Township had \$105,851 in loans outstanding, of which \$13,874 is due within one year. Table 3 summarizes the debt outstanding:

Table 3
Outstanding Debt, at Year-End

	2013	2012
Fire Bonds	\$0	\$36,825
Locust Lake Property Loan	105,851	119,162
Total	\$105,851	\$155,987

The Township's overall legal debt margin was \$42,014,915 and an unvoted debt margin of \$220,633.

For more information on the Township's debt, see Note 10 of the basic financial statements.

Pierce Township
Clermont County
Management's Discussion and Analysis
For the Year Ended December 31, 2013
Unaudited

Contacting the Township's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Karen Register, Financial Officer, at Pierce Township, 950 Locust Corner Road, Cincinnati, Ohio 45245, or email kregister@piercetownship.org.

Pierce Township
Clermont County
Statement of Net Position - Cash Basis
December 31, 2013

	Governmental Activities
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ 10,425,851
Net Position:	
Restricted for:	
Debt Service	\$ 92,301
Capital Projects	380
Public Safety	5,156,523
Public Works	2,755,676
Other Purposes	124,203
Unrestricted	2,296,768
<i>Total Net Position</i>	\$ 10,425,851

See Accompanying Notes to the Basic Financial Statements

**Pierce Township
Clermont County**

*Statement of Activities - Cash Basis
For the Year Ended December 31, 2013*

	Program Cash Receipts			Net (Disbursements) Receipts and Change in Net Position
	Cash Disbursements	Charges for Services	Operating Grants, Contributions, and Interest	Total Governmental Activities
Governmental Activities:				
General Government	\$ 603,720	\$ 72,832	\$ -	\$ (530,888)
Public Safety	4,127,631	303,277	597,365	(3,226,989)
Public Works	1,722,931	73,749	466,077	(1,183,105)
Health	169,585	74,828	-	(94,757)
Human Services	12,525	-	-	(12,525)
Capital Outlay	79,847	-	-	(79,847)
Debt Service:				
Principal Retirement	97,710	-	-	(97,710)
Interest and Fiscal Charges	22,121	-	-	(22,121)
<i>Total Governmental Activities</i>	<u>\$ 6,836,070</u>	<u>\$ 524,686</u>	<u>\$ 1,063,442</u>	<u>\$ (5,247,942)</u>

General Receipts:

Property Taxes Levied for:	
General Purposes	293,652
Debt Service	37,957
Public Safety	3,905,950
Public Works	1,251,399
Interest	8,138
Grants and Entitlements not Restricted	238,797
Cable Franchise Fees	71,123
Payment in Lieu of Taxes	286,590
Miscellaneous	39,657
<i>Total General Receipts</i>	<u>6,133,263</u>
<i>Change in Net Position</i>	885,321
<i>Net Position at Beginning of Year</i>	<u>9,540,530</u>
<i>Net Position at End of Year</i>	<u>\$ 10,425,851</u>

See Accompanying Notes to the Basic Financial Statements

Pierce Township
Clermont County
Statement of Assets and Fund Balances - Cash Basis
Governmental Funds
December 31, 2013

	General Fund	Road and Bridge Fund	Police Fund	Fire Fund	Garbage and Waste Disposal District Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets:							
Equity in Pooled Cash and Cash Equivalents	\$ 1,657,058	\$ 639,710	\$3,527,522	\$1,044,344	\$ 1,138,663	\$ 2,418,554	\$ 10,425,851
Fund Balances:							
Restricted	\$ -	\$ -	\$3,527,522	\$1,044,344	\$ 1,138,663	\$ 2,418,554	\$ 8,129,083
Committed	-	639,710	-	-	-	-	\$ 639,710
Assigned	15,600	-	-	-	-	-	\$ 15,600
Unassigned	1,641,458	-	-	-	-	-	\$ 1,641,458
<i>Total Fund Balances</i>	<u>\$ 1,657,058</u>	<u>\$ 639,710</u>	<u>\$3,527,522</u>	<u>\$1,044,344</u>	<u>\$ 1,138,663</u>	<u>\$ 2,418,554</u>	<u>\$ 10,425,851</u>

See Accompanying Notes to the Basic Financial Statements

Pierce Township
Clermont County
Statement of Receipts, Disbursements, and Changes in Fund Balances - Cash Basis
Governmental Funds
For the Year Ended December 31, 2013

	General Fund	Road and Bridge Fund	Police Fund	Fire Fund	Garbage and Waste Disposal District Fund	Nonmajor Governmental Funds	Total Governmental Funds
Receipts:							
Property Taxes	\$ 293,652	\$ 549,394	\$ 2,036,067	\$ 1,869,883	\$ 702,005	\$ 37,957	\$ 5,488,958
Interest	8,138	-	-	-	-	379	8,517
Intergovernmental	238,797	101,310	312,651	271,667	126,938	245,812	1,297,175
Special Assessments	-	-	-	-	-	73,749	73,749
Charges for Services	-	-	417	68,933	-	258,199	327,549
Licenses, Permits, and Fees	81,469	-	-	-	-	48,278	129,747
Fines, Forfeitures, and Penalties	2,451	-	396	-	-	1,882	4,729
Payment in Lieu of Taxes	-	-	-	-	-	286,590	286,590
Gifts and Donations	-	-	-	-	-	4,685	4,685
Rent	60,035	-	-	-	-	-	60,035
Miscellaneous	19,519	3,405	1,185	9,786	1,253	4,509	39,657
<i>Total Receipts</i>	<u>704,061</u>	<u>654,109</u>	<u>2,350,716</u>	<u>2,220,269</u>	<u>830,196</u>	<u>962,040</u>	<u>7,721,391</u>
Disbursements:							
Current:							
General Government	600,147	-	-	-	-	3,573	603,720
Public Safety	-	-	1,893,925	2,091,908	-	141,798	4,127,631
Public Works	7,914	523,854	-	-	884,949	306,214	1,722,931
Health	64,471	-	-	-	-	105,114	169,585
Human Services	12,525	-	-	-	-	-	12,525
Capital Outlay	32,912	33,895	-	-	-	13,040	79,847
Debt Service:							
Principal Retirement	13,311	-	-	35,201	12,373	36,825	97,710
Interest and Fiscal Charges	4,689	-	-	14,566	1,803	1,063	22,121
<i>Total Disbursements</i>	<u>735,969</u>	<u>557,749</u>	<u>1,893,925</u>	<u>2,141,675</u>	<u>899,125</u>	<u>607,627</u>	<u>6,836,070</u>
<i>Net Changes in Fund Balances</i>	(31,908)	96,360	456,791	78,594	(68,929)	354,413	885,321
<i>Fund Balances at Beginning of Year</i>	1,688,966	543,350	3,070,731	965,750	1,207,592	2,064,141	9,540,530
<i>Fund Balances at End of Year</i>	<u>\$ 1,657,058</u>	<u>\$ 639,710</u>	<u>\$ 3,527,522</u>	<u>\$ 1,044,344</u>	<u>\$ 1,138,663</u>	<u>\$ 2,418,554</u>	<u>\$ 10,425,851</u>

See Accompanying Notes to the Basic Financial Statements

**Pierce Township
Clermont County**

*Statement of Receipts, Disbursements, and Changes
in Fund Balance - Budget and Actual (Budget Basis)
General Fund*

For the Year Ended December 31, 2013

	Budgeted Amounts			Variance With Final Budget Positive
	Original	Final	Actual	
Receipts:				
Property Taxes	\$ 291,820	\$ 291,820	\$ 293,652	\$ 1,832
Interest	7,954	6,341	6,416	75
Intergovernmental	296,022	236,021	238,797	2,776
Licenses, Permits, and Fees	100,992	80,522	81,469	947
Fines, Forfeitures, and Penalties	3,038	2,423	2,451	28
Rent	74,422	59,338	60,035	697
Miscellaneous	24,197	19,292	19,519	227
<i>Total Receipts</i>	<u>798,445</u>	<u>695,757</u>	<u>702,339</u>	<u>6,582</u>
Disbursements:				
Current:				
General Government	2,205,953	2,103,265	615,747	1,487,518
Public Works	9,000	9,000	7,914	1,086
Health	67,358	67,358	64,471	2,887
Human Services	119,600	119,600	12,525	107,075
Capital Outlay	67,500	67,500	32,912	34,588
Debt Service:				
Principal Retirement	13,311	13,311	13,311	-
Interest and Fiscal Charges	4,689	4,689	4,689	-
<i>Total Disbursements</i>	<u>2,487,411</u>	<u>2,384,723</u>	<u>751,569</u>	<u>1,633,154</u>
<i>Net Changes in Fund Balance</i>	(1,688,966)	(1,688,966)	(49,230)	1,639,736
<i>Fund Balance at Beginning of Year</i>	<u>1,688,966</u>	<u>1,688,966</u>	<u>1,688,966</u>	<u>-</u>
<i>Fund Balance at End of Year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,639,736</u>	<u>\$ 1,639,736</u>

See Accompanying Notes to the Basic Financial Statements

**Pierce Township
Clermont County**

*Statement of Receipts, Disbursements, and Changes
in Fund Balance - Budget and Actual (Budget Basis)
Road and Bridge Special Revenue Fund
For the Year Ended December 31, 2013*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts:				
Property Taxes	\$ 544,877	\$ 544,877	\$ 549,394	\$ 4,517
Intergovernmental	85,108	104,744	101,310	(3,434)
Miscellaneous	2,860	3,520	3,405	(115)
<i>Total Receipts</i>	<u>632,845</u>	<u>653,141</u>	<u>654,109</u>	<u>968</u>
Disbursements:				
Current:				
Public Works	1,066,195	1,086,491	532,454	554,037
Capital Outlay	110,000	110,000	76,597	33,403
<i>Total Disbursements</i>	<u>1,176,195</u>	<u>1,196,491</u>	<u>609,051</u>	<u>587,440</u>
<i>Net Changes in Fund Balance</i>	(543,350)	(543,350)	45,058	588,408
<i>Fund Balance at Beginning of Year</i>	505,367	505,367	505,367	-
<i>Prior Year Encumbrances Appropriated</i>	37,983	37,983	37,983	-
<i>Fund Balance at End of Year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 588,408</u>	<u>\$ 588,408</u>

See Accompanying Notes to the Basic Financial Statements

**Pierce Township
Clermont County**

*Statement of Receipts, Disbursements, and Changes
in Fund Balance - Budget and Actual (Budget Basis)
Police Special Revenue Fund
For the Year Ended December 31, 2013*

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		Positive (Negative)
Receipts:				
Property Taxes	\$ 1,987,462	\$ 1,987,462	\$ 2,036,067	\$ 48,605
Intergovernmental	273,079	360,818	312,651	(48,167)
Charges for Services	364	481	417	(64)
Fines, Forfeitures, and Penalties	346	457	396	(61)
Miscellaneous	1,035	1,368	1,185	(183)
<i>Total Receipts</i>	<u>2,262,286</u>	<u>2,350,586</u>	<u>2,350,716</u>	<u>130</u>
Disbursements:				
Current:				
Public Safety	<u>5,335,465</u>	<u>5,423,765</u>	<u>1,893,925</u>	<u>3,529,840</u>
<i>Net Changes in Fund Balance</i>	(3,073,179)	(3,073,179)	456,791	3,529,970
<i>Fund Balance at Beginning of Year</i>	<u>3,073,179</u>	<u>3,073,179</u>	<u>3,070,731</u>	<u>(2,448)</u>
<i>Fund Balance at End of Year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,527,522</u>	<u>\$ 3,527,522</u>

See Accompanying Notes to the Basic Financial Statements

**Pierce Township
Clermont County**

*Statement of Receipts, Disbursements, and Changes
in Fund Balance - Budget and Actual (Budget Basis)
Fire Special Revenue Fund
For the Year Ended December 31, 2013*

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Receipts:				
Property Taxes	\$ 1,840,558	\$ 1,840,558	\$ 1,869,883	\$ 29,325
Intergovernmental	226,931	294,283	271,667	(22,616)
Charges for Services	57,582	74,672	68,933	(5,739)
Miscellaneous	8,175	10,601	9,786	(815)
<i>Total Receipts</i>	<u>2,133,246</u>	<u>2,220,114</u>	<u>2,220,269</u>	<u>155</u>
Disbursements:				
Current:				
Public Safety	<u>3,098,996</u>	<u>3,185,864</u>	<u>2,143,951</u>	<u>1,041,913</u>
<i>Net Changes in Fund Balance</i>	(965,750)	(965,750)	76,318	1,042,068
<i>Fund Balance at Beginning of Year</i>	964,986	964,986	964,986	-
<i>Prior Year Encumbrances Appropriated</i>	764	764	764	-
<i>Fund Balance at End of Year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,042,068</u>	<u>\$ 1,042,068</u>

See Accompanying Notes to the Basic Financial Statements

**Pierce Township
Clermont County**

*Statement of Receipts, Disbursements, and Changes
in Fund Balance - Budget and Actual (Budget Basis)
Garbage and Waste Disposal District Special Revenue Fund
For the Year Ended December 31, 2013*

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Receipts:				
Property Taxes	\$ 696,233	\$ 696,233	\$ 702,005	\$ 5,772
Intergovernmental	155,750	155,750	126,938	(28,812)
Miscellaneous	1,537	1,537	1,253	(284)
<i>Total Receipts</i>	<u>853,520</u>	<u>853,520</u>	<u>830,196</u>	<u>(23,324)</u>
Disbursements:				
Current:				
Public Works	<u>2,061,110</u>	<u>2,061,112</u>	<u>899,125</u>	<u>1,161,987</u>
<i>Net Changes in Fund Balance</i>	(1,207,590)	(1,207,592)	(68,929)	1,138,663
<i>Fund Balance at Beginning of Year</i>	1,103,037	1,103,037	1,103,037	-
<i>Prior Year Encumbrances Appropriated</i>	<u>104,555</u>	<u>104,555</u>	<u>104,555</u>	<u>-</u>
<i>Fund Balance at End of Year</i>	<u>\$ 2</u>	<u>\$ -</u>	<u>\$ 1,138,663</u>	<u>\$ 1,138,663</u>

See Accompanying Notes to the Basic Financial Statements

**Pierce Township
Clermont County**

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2013*

Note 1 - Reporting Entity

Pierce Township, Clermont County, Ohio (the Township), is a body politic and corporate established in 1853 to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly elected three-member Board of Trustees. The Township also has an elected Financial Officer.

The reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements are not misleading.

Primary Government

The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the Township. The Township provides general government services, maintenance of Township roads, police protection, fire and emergency medical services protection, and cemetery maintenance. Also, the Township contracts with Union Township for additional fire and emergency medical services protection.

Component Units

Component units are legally separate organizations for which the Township is financially accountable. The Township is financially accountable for an organization if the Township appoints a voting majority of the organization's governing board and (1) the Township is able to significantly influence the programs or services performed or provided by the organization; or (2) the Township is legally entitled to or can otherwise access the organization's resources; the Township is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide support to, the organization; or the Township is obligated for the debt of the organization. The Township is also financially accountable for any organizations that are fiscally dependent on the Township in that the Township approves their budget, the issuance of their debt, or the levying of their taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Township, are accessible to the Township, and are significant in amount to the Township. The Township had no component units.

Public Entity Risk Pool

The Township participates in two public entity risk pools, the Ohio Township Association Risk Management Authority and the Center for Local Government Benefits Pool. Notes 7 and 12 to the financial statements provide additional information for these entities.

**Pierce Township
Clermont County**

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2013*

Note 2 - Summary of Significant Accounting Policies

These financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America. Generally accepted accounting principles (GAAP) include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the Township's accounting policies.

Basis of Presentation

The Township's basic financial statements consist of government-wide financial statements, including a Statement of Net Position and a Statement of Activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the Township as a whole. These statements include the financial activities of the primary government. The statements usually distinguish between those activities of the Township that are governmental and those that are considered business-type. The Township, however, has no activities which are reported as business-type. Governmental activities generally are financed through taxes, intergovernmental receipts, or other nonexchange transactions.

The Statement of Net Position presents the cash and investment balances of the governmental activities of the Township at year-end. The Statement of Activities compares disbursements with program receipts for each of the Township's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Township is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants that is required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the Township's general receipts.

Fund Financial Statements

During the year, the Township segregates transactions related to certain Township functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Township at this more detailed level. The focus of governmental fund financial statements is on major funds, rather than reporting by fund type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

**Pierce Township
Clermont County**

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2013*

Fund Accounting

The Township uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. The funds of the Township are all classified as governmental.

Governmental Funds

The Township classifies funds financed primarily from taxes, intergovernmental receipts (e.g., grants), and other nonexchange transactions as governmental funds. Monies are assigned to the various governmental funds according to the purposes for which they may or must be used. The following are the Township's major governmental funds:

General Fund: This fund is the general operating fund and accounts for and reports all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

Road and Bridge Fund: This fund accounts for and reports all disbursements committed to roads, including improvements, paving, snow removal, salt/sand, gravel, blacktop, maintenance, payroll, supplies, purchases, fuel, vehicle equipment, and maintenance. This fund is also used for construction of new and future facilities.

Police Fund: This fund accounts for and reports proceeds from property taxes restricted for police department operations and protection services.

Fire Fund: This fund accounts for and reports proceeds from property taxes restricted for fire department and life squad protection and emergency services.

Garbage and Waste Disposal District Fund: This fund accounts for and reports charges restricted to garbage and waste collection, as well as payments to a private trash removal service.

The other governmental funds of the Township account for grants and other resources whose use is restricted to a particular purpose. Committed resources in the other governmental funds are for emergency medical services.

**Pierce Township
Clermont County**

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2013*

Basis of Accounting

The Township's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Township's financial records and reported in the financial statements when cash is received rather than when earned, and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Township are described in the appropriate section in this note.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued liabilities and the related expenses) are not recorded in these financial statements.

Budgetary Process

All funds are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Township may appropriate. The appropriations resolution is the Township's authorization to spend resources and sets limits on disbursements plus encumbrances at the level of control selected by the Township. The legal level of control has been established at the fund, department, and object level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Financial Officer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Township Trustees.

The appropriations resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriations resolution for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Township Trustees during the year, including all supplemental appropriations.

**Pierce Township
Clermont County**

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2013*

Cash and Investments

To improve cash management, cash received by the Township is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the Township's records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements.

Investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the Township are presented on the financial statements as cash and cash equivalents.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts, respectively.

During 2013, the Township invested in nonnegotiable certificates of deposit and STAROhio. The nonnegotiable certificates of deposit are reported at cost.

STAROhio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's net asset value per share, which is the price the investment could be sold for on December 31, 2013.

Interest earnings are allocated to Township funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2013 were \$8,138, which includes \$6,766 assigned from other Township funds.

Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Township's cash basis of accounting.

Employer Contributions to Cost-Sharing Pension Plans

The Township recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and for post-retirement health care benefits.

**Pierce Township
Clermont County**

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2013*

Long-Term Obligations

The Township's cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid.

Net Position

Net position is reported as restricted when there are limitations imposed on its use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes includes resources restricted for cemetery programs and two Tax Increment Financing (TIFs) agreements. Both TIFs were drafted with specific purposes for the anticipated revenue. The Township's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net position is available.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Township is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable: The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

Restricted: Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions.

Committed: The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (resolution) of the Township Trustees. Those committed amounts cannot be used for any other purpose unless the Township Trustees remove or change the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by the Township Trustees, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

**Pierce Township
Clermont County**

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2013*

Assigned: Amounts in the assigned fund balance classification are intended to be used by the Township for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. Assigned amounts represent intended uses established by the Township Trustees. The Township Trustees have authorized the financial officer to assign fund balance for purchases on order provided those amounts have been lawfully appropriated.

Unassigned: Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The Township applies restricted resources first when disbursements are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when disbursements are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Note 3 - Change in Accounting Principles

For 2013, the Township implemented Governmental Accounting Standard Board (GASB) Statement No. 61, "The Financial Reporting Entity: Omnibus; an amendment of GASB Statements No. 14 and No. 34." This Statement modifies existing requirements for the assessment of potential component units in determining what should be included in the financial reporting entity and financial reporting entity display and disclosure requirements. The implementation of this statement did not result in any change in the Township's financial statements.

Note 4 - Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance - Budget and Actual (Budget Basis) presented for the General, Road and Bridge, Police, Fire, and Garbage and Waste Disposal District Funds are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the cash basis are outstanding year-end encumbrances, which are treated as cash disbursements (budgetary basis) rather than restricted or committed of fund balance (cash basis).

**Pierce Township
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*Notes to the Basic Financial Statements
For the Year Ended December 31, 2013*

The following table summarizes the adjustments necessary to reconcile the cash basis statements to the budgetary basis statements for the General Fund, Road and Bridge Fund, Police Fund, Fire Fund, and Garbage and Waste Disposal District Fund.

Net Change in Fund Balance

	General	Road and Bridge	Police	Fire	Garbage and Waste Disposal District
Cash Basis	(\$31,908)	\$96,360	\$456,791	\$78,594	(\$68,929)
Unrecorded Interest - Fiscal Year 2013	(1,722)	0	0	0	0
Adjustment for Encumbrances	(15,600)	(51,302)	0	(2,276)	0
Budget Basis	<u>(\$49,230)</u>	<u>\$45,058</u>	<u>\$456,791</u>	<u>\$76,318</u>	<u>(\$68,929)</u>

Note 5 - Deposits and Investments

State statutes classify monies held by the Township into three categories: active deposits, inactive deposits, and interim deposits.

Active deposits are public deposits determined to be necessary to meet current demands upon the Township treasury. Active monies must be maintained either as cash in the Township treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Trustees have identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Township can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;

**Pierce Township
Clermont County**

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2013*

2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
5. Bonds and other obligations of the State of Ohio or Ohio local governments;
6. The State Treasurer's investment pool (STAR Ohio); and
7. Written repurchase agreements in the securities described in (1) or (2) provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited.

An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Township, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the Township will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year-end, \$7,653,138 of the Township's bank balance of \$9,448,092 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the Township to a successful claim by the FDIC.

**Pierce Township
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*Notes to the Basic Financial Statements
For the Year Ended December 31, 2013*

The Township has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Township or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least 105 percent of the deposits being secured.

Investments

As of December 31, 2013, the Township had the following investments:

	Fair Value	Investment Maturities (in Years) Less than 1
STAROhio	\$117,119	\$117,119

Interest Rate Risk - Interest rate risk arises because the fair value of investments changes as interest rates change. The Township's investment policy follows State statute, which requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation of debt of the Township, and that an investment must be purchased with the expectation that it will be held to maturity.

Credit Risk - STAROhio carries a rating of AAAM by Standard and Poor's. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The Township's investment policy limits investments to those authorized by State statute.

Concentration of Credit Risk - The Township places no limit on the amount it may invest in any one issuer.

Note 6 - Property Taxes

Property taxes include amounts levied against all real property and public utility property located in the Township. Property tax revenue received during 2013 for real and public utility property taxes represents collections of 2012 taxes.

2013 real property taxes were levied after October 1, 2013, on the assessed value as of January 1, 2013, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2013 real property taxes are collected in and intended to finance 2014 operations.

**Pierce Township
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*Notes to the Basic Financial Statements
For the Year Ended December 31, 2013*

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2013 public utility property taxes became a lien on December 31, 2012, were levied after October 1, 2013, and are collected in 2014 with real property taxes.

The full tax rate for all Township operations for the year ended December 31, 2013 was \$21.70 per \$1,000 of assessed value. The assessed values of real and personal property upon which 2013 property tax receipts were based are as follows:

Real Property	
Residential/Agricultural	\$303,129,440
Commercial/Industrial	39,722,830
Public Utility Personal	<u>58,297,880</u>
Total Assessed Value	<u><u>\$401,150,150</u></u>

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the Township. The County Auditor periodically remits to the Township its portion of the taxes collected.

Note 7 - Risk Management

Property and Liability

The Township is exposed to various risks of property and casualty losses and injuries to employees.

The Township insures against injuries to employees through the Ohio Bureau of Workers' Compensation.

**Pierce Township
Clermont County**

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2013*

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. York Risk Pooling Services, Inc. (formerly known as American Risk Pooling Consultants, Inc.), functions as the administrator of OTARMA and provides underwriting, claims, loss control, risk management, and reinsurance services for OTARMA. OTARMA is a member of the American Public Entity Excess Pool (APEEP), which is also administered by York. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements, and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides OTARMA with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2013, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge OTARMA's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles and reported the following assets, liabilities, and net position at December 31, 2013 and 2012.

	<u>2013</u>	<u>2012</u>
Assets	\$34,954,286	\$34,771,270
Liabilities	<u>(8,486,363)</u>	<u>(9,355,082)</u>
Net Position	<u>\$26,467,923</u>	<u>\$25,416,188</u>

At December 31, 2013 and 2012, respectively, the liabilities above include approximately \$7.9 and \$8.7 million of estimated incurred claims payable. The assets above also include approximately \$7.5 and \$7.9 million of unpaid claims to be billed to approximately 948 member governments in the future as of December 31, 2013 and 2012, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2013, the Township's share of these unpaid claims collectible in future years is approximately \$181,798.

**Pierce Township
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*Notes to the Basic Financial Statements
For the Year Ended December 31, 2013*

Based on discussions with OTARMA, the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

Contributions to OTARMA

<u>2013</u>	<u>2012</u>
\$90,515	\$90,899

After one year of membership, a member may withdraw on the anniversary of the date of joining OTARMA, if the member notifies OTARMA in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

Medical

The Township provides a limited medical, surgical, prescription drug, and life insurance program for its employees through a public entity shared risk pool. The Center for Local Government Benefits Pool (Benefits Pool) contracts with Jefferson Health Plan, formerly known as Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA), for claims servicing (Note 12). Premiums are paid by the Township to the Benefits Pool. Jefferson Health Plan contracts with United Healthcare to service the claims of Benefits Pool members. The Benefits Pool covers claims up to \$75,000 per individual. Plan participants also participate in a shared risk internal pool for individual claims between \$75,000 and \$500,000. The Township also has a stop loss insurance policy through Jefferson Health Plan, which covers individual claims in excess of \$500,000 per employee per year for medical claims.

Note 8 - Defined Benefit Pension Plan

A. Ohio Public Employees Retirement System

Plan Description - The Township participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS

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For the Year Ended December 31, 2013*

invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy - The Ohio Revised Code provides statutory authority for member and employer contributions and currently limits the employer contribution to a rate not to exceed 14.0 percent of covered payroll for State and local employer units and 18.1 percent of covered payroll for law enforcement and public safety employer units. Member contribution rates, as set forth in the Ohio Revised Code, are not to exceed 10.0 percent of covered payroll for members in State and local divisions and 12.0 percent for law enforcement and public safety employer units. For the year ended December 31, 2013, members in State and local divisions contributed 10.0 percent of covered payroll while public safety and law enforcement members contributed 12.0 and 12.6 percent, respectively. Effective January 1, 2014, the member contribution rates for law enforcement increased to 13.0 percent. While members in the State and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Pension Plan. For 2013, member and employer contribution rates were consistent across all three plans.

The Township's 2013 contribution rate was 14.0 percent, except for those plan members in law enforcement and public safety, for whom the Township's contribution was 18.1 percent of covered payroll. The portion of employer contributions used to fund pension benefits is net of post-employment health care benefits. For 2013, the portion of employer contribution allocated to health care was 1.0 percent for members in the Traditional Plan and the Combined Plan. Effective January 1, 2014, the portion of employer contributions allocated to health care increased to 2.0 percent. Employer contribution rates are actuarially determined.

The Township's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2013, 2012, and 2011 was \$309,032, \$207,247, and \$209,961, respectively. The full amount has been contributed for all three years. Contributions to the Member-Directed Plan for 2013 were \$2,880 made by the Township and \$2,057 made by plan members.

**Pierce Township
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For the Year Ended December 31, 2013*

Ohio Police and Fire Pension Fund

Plan Description - The Township contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy – Employer and employee contribution rates are set by the Ohio Revised Code. From January 1, 2013 through July 1, 2013, plan members were required to contribute 10.0 percent of their annual covered salary. From July 2, 2013 through December 31, 2013, plan members were required to contribute 10.75 percent of their annual covered salary. Throughout 2013, employers were required to contribute 19.5 percent and 24.0 percent respectively for police officers and firefighters.

The OP&F Pension Fund is authorized by the Ohio Revised Code to allocate a portion of the employer contributions to retiree health care benefits. For January 1, 2013 through May 31, 2013, the portion of employer contributions used to fund pension benefits was 14.81 percent of covered payroll for police officers and 19.31 percent of covered payroll for firefighters. For June 1, 2013 through December 31, 2013, the portion of employer contributions used to fund pension benefits was 16.65 percent of covered payroll for police officers and 21.15 percent of covered payroll for firefighters. The Township's police personnel contribute to OPERS. The Township's contributions to OP&F for firefighters pension were \$173,975 for the year ended December 31, 2013, \$128,568 for the year ended December 31, 2012, and \$126,377 for the year ended December 31, 2011, respectively. The full amount has been contributed for all three years.

Note 9 - Post-Employment Benefits

Ohio Public Employees Retirement System

Plan Description - Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan-a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan-a defined contribution plan; and the Combined Plan-a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing multiple-employer defined benefit post-employment health care plan for qualifying members of both the Traditional and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. The plan includes a medical plan, prescription drug program, and Medicare Part B premium reimbursement.

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In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not mandate, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report, which may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Funding Policy - The post-employment health care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). The Ohio Revised Code provides the statutory authority requiring public employers to fund post-employment health care through contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-employment health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2013, state and local employers contributed at a rate of 14.0 percent of covered payroll, and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code.

Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. For 2013, the portion of employer contributions allocated to health care for members in the Traditional Plan and the Combined Plan was 1.0 percent. Effective January 1, 2014, the portion of employer contributions allocated to healthcare was raised to 2.0 percent for both plans, as recommended by the OPERS actuary.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment health care plan.

The Township's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2013, 2012, and 2011 were \$44,519, \$107,647, and \$67,640, respectively. The full amount has been contributed for all three years.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing on January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4.0 percent of the employer contributions toward the health care fund after the end of the transition period.

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Ohio Police and Fire Pension Fund

Plan Description - The Township contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored health care program, a cost-sharing multiple-employer defined post-employment health care plan administered by OP&F. OP&F provides health care benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium, and long-term care to retirees, qualifying benefit recipients, and their eligible dependents.

OP&F provides access to post-retirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit check or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45.

The Ohio Revised Code allows, but does not mandate, OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164. That report is also available of OP&F's website at www.op-f.org.

Funding Policy - The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F defined benefit pension plan. Participating employers are required by the Ohio Revised Code to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.5 percent and 24.0 percent of covered payroll for police and fire employers, respectively. Active members do not make contributions to the OPEB Plan.

OP&F maintains funds for health care in two separate accounts. One for health care benefits under an IRS Code Section 115 trust and one for Medicare Part B reimbursements administered as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees.

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The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For January 1, 2013 through May 31, 2013, the employer contribution allocated to the health care plan was 4.69 percent of covered payroll. For June 1, 2013 through December 31, 2013, the employer contribution allocated to the health care plan was 2.85 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

The OP&F Board of Trustees also is authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The Township's contributions to OP&F, which were allocated to fund post-employment health care benefits for firefighters, were \$23,443 for the year ended December 31, 2013, \$50,309 for the year ended December 31, 2012, and \$49,452 for the year ended December 31, 2011. The full amount has been contributed for all three years.

Note 10 - Debt

The changes in the Township's long-term obligations during 2013 were as follows:

Types / Issues	Balance 12/31/12	Issued	Retired	Balance 12/31/13	Due Within One Year
<u>Governmental Activities:</u>					
<u>General Long-Term Obligations</u>					
Fire Equipment Bond - 3.89%	\$36,825	\$0	\$36,825	\$0	\$0
Locust Lake Loan - 4.15%	119,162	0	13,311	105,851	13,874
Total - General Long-Term Obligations	155,987	0	50,136	105,851	13,874
<u>Other Long-Term Obligations</u>					
Fire Truck Lease- 4.65%	287,225	0	35,201	252,024	36,986
Backhoe Lease- 2.758%	0	65,373	12,373	53,000	12,714
Total - Other Long-Term Obligations	287,225	65,373	47,574	305,024	49,700
Total - All General Long-Term Obligations	\$443,212	\$65,373	\$97,710	\$410,875	\$63,574

The Township issued \$310,000 in general obligation bonds for the purchase of fire equipment. The bonds were issued at a 3.89 percent interest rate, with final maturity on October 15, 2013, and were repaid from Nonmajor Governmental Funds.

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For the Year Ended December 31, 2013*

During 2010, the Township entered in to a loan agreement with PNC Bank for a \$150,000 loan to purchase property. The loan was issued at a 4.15 percent interest rate, with final maturity on September 30, 2020. The loan will be paid from the General Fund.

The following is a summary of the Township’s future annual debt service requirements:

Year Ending December 31,	Locust Lake Loan	
	Principal	Interest
2014	\$13,874	\$4,126
2015	14,461	3,539
2016	15,073	2,928
2017	15,710	2,290
2018	16,375	1,625
2019-2020	30,358	1,159
Total	\$105,851	\$15,667

The Ohio Revised Code provides that net general obligation debt of the Township, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed 5.5 percent of the tax valuation of the Township. The Revised Code further provides that total voted and unvoted net debt of the Township less the same exempt debt shall never exceed an amount equal to 10.5 percent of its tax valuation. The effects of the debt limitations at December 31, 2013 were an overall debt margin of \$42,014,915 and an unvoted debt margin of \$220,633.

Note 11 - Leases

In 2008, the Township entered into a capital lease purchase agreement for a new fire truck, and in 2013, the Township entered into a capital lease purchase agreement for a new backhoe. Total lease payments for 2013 included \$47,574 for principal and \$16,369 for interest.

Year Ending December 31,	Fire Truck Lease		Backhoe Lease		Total
	Principal	Interest	Principal	Interest	
2014	\$36,986	\$12,780	\$12,714	\$1,462	\$63,942
2015	38,861	10,905	13,065	1,111	63,942
2016	40,832	8,934	13,425	751	63,942
2017	42,903	6,864	13,796	380	63,943
2018	45,078	4,688	0	0	49,766
2019	47,364	2,402	0	0	49,766
Total	\$252,024	\$46,573	\$53,000	\$3,704	\$355,301

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Note 12 - Shared Risk Pool

Ohio Township Association Risk Management Authority

The Township is a member of the Ohio Township Association Risk Management Authority, a risk-sharing pool. For more information on OTARMA, see Note 7.

Center for Local Governments Benefits Pool

The Township is a member of the Center for Local Governments Benefits Pool (Benefits Pool), a public entity shared risk pool. The Benefits Pool's primary purpose and objective is establishing and carrying out a cost effective cooperative health program for its member organizations. Each member is entitled to appoint one Director on the Board of Directors. Jefferson Health Plan serves as the fiscal agent for the Benefits Pool.

The Benefits Pool contracts with the Jefferson Health Plan, formerly known as the Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA), a risk sharing, claims servicing, and insurance purchasing pool comprised of 75 members including two insurance consortiums. Each participant appoints a member of the insurance plan's assembly. The Benefits Pool's business and affairs are conducted by a nine member Board of Directors elected from the assembly. The Benefits Pool offers medical, dental, and prescription drug coverage to the members with the opportunity to choose from several different benefit plans. The Benefits Pool is responsible for claims up to \$75,000 per individual. Benefits Pool participants also participate in a shared risk internal pool for individual claims between \$75,000 and \$500,000, and all claims within this range are paid from the shared internal risk pool. For all individual claims exceeding \$500,000, stop loss coverage is purchased. All Benefits Pool participants also pay a monthly administrative fee for fiscal services and third party administrative services.

In the event that the Township would withdraw from the Benefits Pool, the Township would be required to give a 180-day notice prior to the end of their three year contract and be responsible for any current payments due as well as the Township's share of any reserve deficit of the Benefits Pool. To obtain information for the Benefits Pool, write to the fiscal agent, Jefferson Health Plan, 2023 Sunset Boulevard, Stuebenville, Ohio 43952.

Note 13 - Contingent Liabilities

Federal and State Grants

Amounts grantor agencies pay to the Township are subject to audit and adjustment by the grantor, principally the federal government. Grantors may require refunding of any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

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For the Year Ended December 31, 2013*

Litigation

The Township is a defendant in various lawsuits. Although management cannot presently determine the outcome, they believe the resolution of these matters will not materially adversely affect the Township's financial condition.

Note 14 - Fund Balances

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Township is bound to observe constraints imposed upon the use of the resources in the governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below.

Fund Balances	General	Road and Bridge	Police	Fire	Garbage and Waste Disposal District	Other Governmental	Total
<u>Restricted for:</u>							
Public Works	\$0	\$0	\$0	\$0	\$1,138,663	\$1,617,013	\$2,755,676
Capital Improvements	0	0	0	0	0	380	380
Debt Payments	0	0	0	0	0	92,301	92,301
Health	0	0	0	0	0	42,291	42,291
Street Lighting	0	0	0	0	0	81,912	81,912
Public Safety	0	0	3,527,522	1,044,344	0	584,657	5,156,523
<i>Total Restricted</i>	<u>0</u>	<u>0</u>	<u>3,527,522</u>	<u>1,044,344</u>	<u>1,138,663</u>	<u>2,418,554</u>	<u>8,129,083</u>
<u>Committed to:</u>							
Public Works	0	639,710	0	0	0	0	639,710
<i>Total Committed</i>	<u>0</u>	<u>639,710</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>639,710</u>
<u>Assigned to:</u>							
Purchases on Order	15,600	0	0	0	0	0	15,600
<u>Unassigned</u>	<u>1,641,458</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,641,458</u>
Total Fund Balances	<u>\$1,657,058</u>	<u>\$639,710</u>	<u>\$3,527,522</u>	<u>\$1,044,344</u>	<u>\$1,138,663</u>	<u>\$2,418,554</u>	<u>\$10,425,851</u>

Note 15 – Significant Commitments

Contractual Commitments

Pierce Township has entered into the following contracts as of December 31, 2013:

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*Notes to the Basic Financial Statements
For the Year Ended December 31, 2013*

<u>Contractor</u>	<u>Purpose</u>	<u>Amount Remaining</u>
Smith Construction	Upper Cole Road Rehabilitation	\$203,341

Encumbrances

Encumbrances are commitments related to unperformed contracts for goods and services. Encumbrances accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At fiscal year-end, the amount of encumbrances expected to be honored upon performance by the vendor in the next fiscal year were as follows:

General Fund	\$15,600
Road and Bridge Fund	51,302
Fire District Fund	2,276
Nonmajor Governmental Funds	107,204
Total	<u><u>\$176,382</u></u>

**Pierce Township
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*Management's Discussion and Analysis
For the Year Ended December 31, 2012
Unaudited*

The discussion and analysis of Pierce Township's financial performance provides an overall review of the Township's financial activities for the year ended December 31, 2012, within the limitations of the Township's cash basis of accounting. Readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the Township's financial performance.

Financial Highlights

Key financial highlights for 2012 are as follows:

General receipts accounted for \$6,072,228 of all receipts. Program specific receipts in the form of charges for services and operating grants and contributions and interest accounted for \$1,612,067 of total receipts of \$7,684,295.

The Township had \$6,521,435 in disbursements; only \$1,612,067 of these disbursements was offset by program specific charges for services, grants, contributions, and interest.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Township's cash basis of accounting.

Report Components

The Statement of Net Position and the Statement of Activities provide information about the cash activities as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Township as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the basic financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanations and details regarding the information reported in the statements.

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Township has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Township's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

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As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related disbursements (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

Reporting the Township as a Whole

Statement of Net Position and the Statement of Activities - Cash Basis

The Statement of Net Position and the Statement of Activities reflect how the Township did financially during 2012, within the limitations of cash basis accounting. The Statement of Net Position presents the cash balances and investments of the governmental activities of the Township at year-end. The Statement of Activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services, and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental program draws from the Township's general receipts.

These statements report the Township's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Township's financial health. Over time, increases or decreases in the Township's cash position is one indicator of whether the Township's financial health is improving or deteriorating. When evaluating the Township's financial condition, you should also consider other nonfinancial factors as well, such as the Township's property tax base, the condition of the Township's capital assets, the extent of the Township's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local receipt sources such as property taxes.

Reporting the Township's Most Significant Funds

Fund Financial Statements

Fund financial statements provide detailed information about the Township's major funds, not the Township as a whole. The Township uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the Township's most significant funds. The Township's major governmental funds are the General, Road and Bridge, Police, Fire, and Garbage and Waste Disposal District Funds.

**Pierce Township
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Governmental Funds

The Township's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported on a cash basis. The governmental fund statements provide a detailed short-term view of the Township's general governmental operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future.

The Township as a Whole

Table 1 provides a summary of the Township's net position for 2012 compared to 2011.

	Table 1 Net Position		
	2012	2011	Change
Assets:			
Current Assets	\$9,540,530	\$8,377,670	\$1,162,860
Net Position:			
Restricted for:			
Debt Service	\$92,232	\$92,232	\$0
Capital Projects	380	380	0
Public Safety	4,550,648	3,534,499	1,016,149
Public Works	2,580,366	1,503,973	1,076,393
Other Purposes	84,588	916,802	(832,214)
Unrestricted	2,232,316	2,329,784	(97,468)
<i>Total Net Position</i>	\$9,540,530	\$8,377,670	\$1,162,860

The increase in Total Net Position from the prior year was a result of the Township monitoring disbursements more closely.

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Unaudited*

Table 2 shows the change in net position for 2012 compared to 2011.

Table 2
Change in Net Position

	2012	2011	Change
Receipts:			
Program Cash Receipts:			
Charges for Services	\$566,339	\$550,321	\$16,018
Operating Grants, Contributions, and Interest	1,045,728	1,187,838	(142,110)
<i>Total Program Cash Receipts</i>	<u>1,612,067</u>	<u>1,738,159</u>	<u>(126,092)</u>
General Receipts:			
Property Taxes Levied for:			
General Purposes	282,437	304,259	(21,822)
Debt Service	37,957	37,957	0
Public Safety	3,676,723	3,729,692	(52,969)
Public Works	1,228,428	1,313,532	(85,104)
Cable Franchise Fees	70,566	66,104	4,462
Payment in Lieu of Taxes	285,355	300,630	(15,275)
Grants and Entitlements not Restricted	290,195	504,995	(214,800)
Interest	5,639	6,349	(710)
Miscellaneous	194,928	18,727	176,201
<i>Total General Receipts</i>	<u>6,072,228</u>	<u>6,282,245</u>	<u>(210,017)</u>
<i>Total Receipts</i>	<u>7,684,295</u>	<u>8,020,404</u>	<u>(336,109)</u>
Cash Disbursements:			
General Government	619,812	564,034	(55,778)
Public Safety	3,991,173	4,032,818	41,645
Public Works	1,529,334	1,797,532	268,198
Health	139,086	138,225	(861)
Human Services	24,822	41,197	16,375
Capital Outlay	111,485	80,075	(31,410)
Debt Service:			
Principal Retirement	81,757	78,281	(3,476)
Interest and Fiscal Charges	23,966	27,442	3,476
<i>Total Cash Disbursements</i>	<u>6,521,435</u>	<u>6,759,604</u>	<u>238,169</u>
<i>Change in Net Position</i>	<u>1,162,860</u>	<u>1,260,800</u>	<u>(97,940)</u>
<i>Net Position at Beginning of Year</i>	<u>8,377,670</u>	<u>7,116,870</u>	<u>1,260,800</u>
<i>Net Position at End of Year</i>	<u><u>\$9,540,530</u></u>	<u><u>\$8,377,670</u></u>	<u><u>\$1,162,860</u></u>

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*Management's Discussion and Analysis
For the Year Ended December 31, 2012
Unaudited*

Operating Grants, Contributions, and Interest decreased as a result of the Township receiving fewer monies related to homestead and rollback in funds which levied taxes for a particular purpose. Grants and Entitlements not Restricted decreased as a result of a lesser amount of estate tax receipts in 2012 than in 2011. Government-wide disbursements decreased \$238,169. This was primarily the result of monitoring disbursements more closely.

The Township's Funds

Information about the Township's major funds starts on page 48. These funds are accounted for using the cash basis of accounting. All governmental funds had total receipts of \$7,684,295 and total disbursements of \$6,521,435.

All major fund balances, with the exception of the Road and Bridge fund, increased in 2012. The increase in the General Fund of \$166,340 was due to an increase in miscellaneous receipts. The decrease in the Road and Bridge Fund was \$5,957 which is insignificant. The increases in the Police Fund and Fire Fund of \$487,408 and \$114,818, respectively, are due to revenues exceeding disbursements as a result of the continuance of monitoring disbursements more closely. The increase in the Garbage and Waste Disposal District Fund of \$122,274 was due to a decrease in expenditures for tools and equipment.

General Fund Budgeting Highlights

The Township's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

For the General Fund, the final budget basis receipts estimate increased from the original budget basis estimate by \$22,020, which is insignificant. Actual receipts increased \$5,321 from the final budget, which is also insignificant.

Final appropriations of \$2,313,252 increased from original appropriations of \$2,291,233, an insignificant increase. Actual disbursements decreased \$1,681,146 from final appropriations. The actual disbursements reflect an increase as the Township experienced a slight increase in staffing. The Township's budgeting systems are designed to tightly control total budgets but provide flexibility for management.

**Pierce Township
Clermont County**
*Management's Discussion and Analysis
For the Year Ended December 31, 2012
Unaudited*

Debt Administration

At December 31, 2012, the Township had \$155,987 in general obligation bonds and loans outstanding, of which \$50,136 is due within one year. Table 3 summarizes the debt outstanding:

Table 3
Outstanding Debt, at Year-End

	2012	2011
Fire Bonds	\$36,825	\$72,309
Locust Lake Property Loan	119,162	131,933
Total	\$155,987	\$204,242

The Township's overall legal debt margin was \$41,878,155 and an unvoted debt margin of \$220,179.

For more information on the Township's debt, see Note 9 of the basic financial statements.

Contacting the Township's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Karen Register, Financial Officer, at Pierce Township, 950 Locust Corner Road, Cincinnati, Ohio 45245, or email kregister@piercetownship.org.

Pierce Township
Clermont County
Statement of Net Position - Cash Basis
December 31, 2012

	Governmental Activities
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ 9,540,530
Net Position:	
Restricted for:	
Debt Service	\$ 92,232
Capital Projects	380
Public Safety	4,550,648
Public Works	2,580,366
Other Purposes	84,588
Unrestricted	2,232,316
<i>Total Net Position</i>	\$ 9,540,530

See Accompanying Notes to the Basic Financial Statements

Pierce Township
Clermont County
Statement of Activities - Cash Basis
For the Year Ended December 31, 2012

	Program Cash Receipts			Net (Disbursements) Receipts and Change in Net Position
	Cash Disbursements	Charges for Services	Operating Grants, Contributions, and Interest	Total Governmental Activities
Governmental Activities:				
General Government	\$ 619,812	\$ 78,645	\$ -	\$ (541,167)
Public Safety	3,991,173	338,183	667,622	(2,985,368)
Public Works	1,529,334	73,171	378,106	(1,078,057)
Health	139,086	76,340	-	(62,746)
Human Services	24,822	-	-	(24,822)
Capital Outlay	111,485	-	-	(111,485)
Debt Service:				
Principal Retirement	81,757	-	-	(81,757)
Interest and Fiscal Charges	23,966	-	-	(23,966)
<i>Total Governmental Activities</i>	<u>\$ 6,521,435</u>	<u>\$ 566,339</u>	<u>\$ 1,045,728</u>	<u>\$ (4,909,368)</u>

General Receipts:

Property Taxes Levied for:	
General Purposes	\$ 282,437
Debt Service	37,957
Public Safety	3,676,723
Public Works	1,228,428
Interest	\$ 5,639
Grants and Entitlements not Restricted	290,195
Cable Franchise Fees	70,566
Payment in Lieu of Taxes	285,355
Miscellaneous	194,928
<i>Total General Receipts</i>	<u>6,072,228</u>
<i>Change in Net Position</i>	1,162,860
<i>Net Position at Beginning of Year</i>	<u>8,377,670</u>
<i>Net Position at End of Year</i>	<u>\$ 9,540,530</u>

See Accompanying Notes to the Basic Financial Statements

Pierce Township
Clermont County
Statement of Assets and Fund Balances - Cash Basis
Governmental Funds
December 31, 2012

	<u>General</u>	<u>Road and Bridge</u>	<u>Police</u>	<u>Fire</u>	<u>Garbage and Waste Disposal District</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
Assets:							
Equity in Pooled Cash and Cash Equivalents	<u>\$ 1,688,966</u>	<u>\$ 543,350</u>	<u>\$ 3,070,731</u>	<u>\$ 965,750</u>	<u>\$ 1,207,592</u>	<u>\$ 2,064,141</u>	<u>\$ 9,540,530</u>
Fund Balances:							
Restricted	\$ -	\$ -	\$ 3,070,731	\$ 965,750	\$ 1,207,592	\$ 2,064,141	\$ 7,308,214
Committed	-	543,350	-	-	-	-	\$ 543,350
Unassigned	<u>1,688,966</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ 1,688,966</u>
<i>Total Fund Balances</i>	<u>\$ 1,688,966</u>	<u>\$ 543,350</u>	<u>\$ 3,070,731</u>	<u>\$ 965,750</u>	<u>\$ 1,207,592</u>	<u>\$ 2,064,141</u>	<u>\$ 9,540,530</u>

See Accompanying Notes to the Basic Financial Statements

**Pierce Township
Clermont County**
Statement of Receipts, Disbursements, and Changes in Fund Balances - Cash Basis
Governmental Funds
For the Year Ended December 31, 2012

	General	Road and Bridge	Police	Fire	Garbage and Waste Disposal District	Other Governmental	Total Governmental Funds
Receipts:							
Property Taxes	\$ 282,437	\$ 526,469	\$ 1,905,748	\$ 1,770,975	\$ 701,959	\$ 37,957	\$ 5,225,545
Interest	5,639	-	-	-	-	318	5,957
Intergovernmental	185,540	104,655	355,271	293,396	139,536	252,340	1,330,738
Special Assessments	-	-	-	-	-	73,171	73,171
Charges for Services	-	-	-	68,175	-	298,554	366,729
Licenses, Permits, and Fees	87,425	-	-	-	-	44,630	132,055
Fines, Forfeitures, and Penalties	3,499	-	418	-	-	2,746	6,663
Payment in Lieu of Taxes	-	-	-	-	-	285,355	285,355
Gifts and Donations	-	-	-	-	-	4,867	4,867
Rent	58,287	-	-	-	-	-	58,287
Miscellaneous	175,619	1,721	849	699	12,025	4,015	194,928
<i>Total Receipts</i>	<u>798,446</u>	<u>632,845</u>	<u>2,262,286</u>	<u>2,133,245</u>	<u>853,520</u>	<u>1,003,953</u>	<u>7,684,295</u>
Disbursements:							
Current:							
General Government	497,679	-	-	-	-	122,133	619,812
Public Safety	-	-	1,774,878	1,968,661	-	247,634	3,991,173
Public Works	8,300	546,219	-	-	731,246	243,569	1,529,334
Health	65,396	-	-	-	-	73,690	139,086
Human Services	24,822	-	-	-	-	-	24,822
Capital Outlay	17,909	92,583	-	-	-	993	111,485
Debt Service:							
Principal Retirement	12,771	-	-	33,502	-	35,484	81,757
Interest and Fiscal Charges	5,229	-	-	16,264	-	2,473	23,966
<i>Total Disbursements</i>	<u>632,106</u>	<u>638,802</u>	<u>1,774,878</u>	<u>2,018,427</u>	<u>731,246</u>	<u>725,976</u>	<u>6,521,435</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>166,340</u>	<u>(5,957)</u>	<u>487,408</u>	<u>114,818</u>	<u>122,274</u>	<u>277,977</u>	<u>1,162,860</u>
<i>Net Changes in Fund Balances</i>	166,340	(5,957)	487,408	114,818	122,274	277,977	1,162,860
<i>Fund Balances at Beginning of Year</i>	<u>1,522,626</u>	<u>549,307</u>	<u>2,583,323</u>	<u>850,932</u>	<u>1,085,318</u>	<u>1,786,164</u>	<u>8,377,670</u>
<i>Fund Balances at End of Year</i>	<u>\$1,688,966</u>	<u>\$ 543,350</u>	<u>\$ 3,070,731</u>	<u>\$ 965,750</u>	<u>\$ 1,207,592</u>	<u>\$ 2,064,141</u>	<u>\$ 9,540,530</u>

See Accompanying Notes to the Basic Financial Statements

**Pierce Township
Clermont County**

*Statement of Receipts, Disbursements, and Changes
in Fund Balance - Budget and Actual (Budget Basis)
General Fund*

For the Year Ended December 31, 2012

	Budgeted Amounts			Variance With Final Budget Positive (Negative)
	Original	Final	Actual	
Receipts:				
Property Taxes	\$ 291,315	\$ 291,315	\$ 282,437	\$ (8,878)
Interest	5,243	5,484	5,639	155
Intergovernmental	172,517	180,434	185,540	5,106
Licenses, Permits, and Fees	81,289	85,019	87,425	2,406
Fines, Forfeitures, and Penalties	3,253	3,403	3,499	96
Rent	54,196	56,683	58,287	1,604
Miscellaneous	163,292	170,787	175,619	4,832
<i>Total Receipts</i>	<u>771,105</u>	<u>793,125</u>	<u>798,446</u>	<u>5,321</u>
Disbursements:				
Current:				
General Government	2,107,136	2,129,155	497,679	1,631,476
Public Works	9,000	9,000	8,300	700
Health	67,073	67,073	65,396	1,677
Human Services	58,024	58,024	24,822	33,202
Capital Outlay	50,000	50,000	35,909	14,091
<i>Total Disbursements</i>	<u>2,291,233</u>	<u>2,313,252</u>	<u>632,106</u>	<u>1,681,146</u>
<i>Net Changes in Fund Balance</i>	(1,520,128)	(1,520,127)	166,340	1,686,467
<i>Fund Balance at Beginning of Year</i>	1,520,126	1,520,126	1,520,126	-
<i>Prior Year Encumbrances Appropriated</i>	2,500	2,500	2,500	-
<i>Fund Balance at End of Year</i>	<u>\$ 2,498</u>	<u>\$ 2,499</u>	<u>\$ 1,688,966</u>	<u>\$ 1,686,467</u>

See Accompanying Notes to the Basic Financial Statements

**Pierce Township
Clermont County**

*Statement of Receipts, Disbursements, and Changes
in Fund Balance - Budget and Actual (Budget Basis)
Road and Bridge Special Revenue Fund
For the Year Ended December 31, 2012*

	<u>Budgeted Amounts</u>			Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts:				
Property Taxes	\$ 545,785	\$ 545,785	\$ 526,469	\$ (19,316)
Intergovernmental	138,487	85,651	104,655	19,004
Miscellaneous	2,277	1,409	1,721	312
<i>Total Receipts</i>	<u>686,549</u>	<u>632,845</u>	<u>632,845</u>	<u>-</u>
Disbursements:				
Current:				
Public Works	1,140,204	1,086,500	584,202	502,298
Capital Outlay	95,000	95,000	92,583	2,417
<i>Total Disbursements</i>	<u>1,235,204</u>	<u>1,181,500</u>	<u>676,785</u>	<u>504,715</u>
<i>Net Changes in Fund Balance</i>	(548,655)	(548,655)	(43,940)	504,715
<i>Fund Balance at Beginning of Year</i>	548,656	548,656	548,656	-
<i>Prior Year Encumbrances Appropriated</i>	651	651	651	-
<i>Fund Balance at End of Year</i>	<u>\$ 652</u>	<u>\$ 652</u>	<u>\$ 505,367</u>	<u>\$ 504,715</u>

See Accompanying Notes to the Basic Financial Statements

**Pierce Township
Clermont County**

*Statement of Receipts, Disbursements, and Changes
in Fund Balance - Budget and Actual (Budget Basis)
Police Special Revenue Fund
For the Year Ended December 31, 2012*

	Budgeted Amounts			Variance With Final Budget Positive (Negative)
	Original	Final	Actual	
Receipts:				
Property Taxes	\$ 1,988,825	\$ 1,988,825	\$ 1,905,748	\$ (83,077)
Intergovernmental	184,072	274,890	355,271	80,381
Fines, Forfeitures, and Penalties	216	324	418	94
Miscellaneous	440	657	849	192
<i>Total Receipts</i>	<u>2,173,553</u>	<u>2,264,696</u>	<u>2,262,286</u>	<u>(2,410)</u>
Disbursements:				
Current:				
Public Safety	<u>4,602,850</u>	<u>4,848,793</u>	<u>1,774,878</u>	<u>3,073,915</u>
<i>Net Changes in Fund Balance</i>	(2,429,297)	(2,584,097)	487,408	3,071,505
<i>Fund Balance at Beginning of Year</i>	2,581,649	2,581,649	2,581,649	-
<i>Prior Year Encumbrances Appropriated</i>	<u>1,674</u>	<u>1,674</u>	<u>1,674</u>	<u>-</u>
<i>Fund Balance at End of Year</i>	<u>\$ 154,026</u>	<u>\$ (774)</u>	<u>\$ 3,070,731</u>	<u>\$ 3,071,505</u>

See Accompanying Notes to the Basic Financial Statements

**Pierce Township
Clermont County**

*Statement of Receipts, Disbursements, and Changes
in Fund Balance - Budget and Actual (Budget Basis)
Fire Special Revenue Fund
For the Year Ended December 31, 2012*

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Receipts:				
Property Taxes	\$ 1,840,488	\$ 1,840,488	\$ 1,770,975	\$ (69,513)
Intergovernmental	180,516	237,099	293,396	56,297
Charges for Services	41,946	55,093	68,175	13,082
Miscellaneous	430	565	699	134
<i>Total Receipts</i>	<u>2,063,380</u>	<u>2,133,245</u>	<u>2,133,245</u>	<u>-</u>
Disbursements:				
Current:				
Public Safety	<u>2,787,745</u>	<u>2,982,725</u>	<u>2,019,191</u>	<u>963,534</u>
<i>Net Changes in Fund Balance</i>	(724,365)	(849,480)	114,054	963,534
<i>Fund Balance at Beginning of Year</i>	849,482	849,482	849,482	-
<i>Prior Year Encumbrances Appropriated</i>	<u>1,450</u>	<u>1,450</u>	<u>1,450</u>	<u>-</u>
<i>Fund Balance at End of Year</i>	<u>\$ 126,567</u>	<u>\$ 1,452</u>	<u>\$ 964,986</u>	<u>\$ 963,534</u>

See Accompanying Notes to the Basic Financial Statements

**Pierce Township
Clermont County**

*Statement of Receipts, Disbursements, and Changes
in Fund Balance - Budget and Actual (Budget Basis)
Garbage and Waste Disposal District Special Revenue Fund
For the Year Ended December 31, 2012*

	Budgeted Amounts			Variance With Final Budget Positive (Negative)
	Original	Final	Actual	
Receipts:				
Property Taxes	\$ 727,710	\$ 727,710	\$ 701,959	\$ (25,751)
Intergovernmental	85,749	105,399	139,536	34,137
Miscellaneous	7,390	9,083	12,025	2,942
<i>Total Receipts</i>	<u>820,849</u>	<u>842,192</u>	<u>853,520</u>	<u>11,328</u>
Disbursements:				
Current:				
Public Works	<u>1,906,167</u>	<u>1,927,510</u>	<u>835,801</u>	<u>1,091,709</u>
<i>Net Changes in Fund Balance</i>	(1,085,318)	(1,085,318)	17,719	1,103,037
<i>Fund Balance at Beginning of Year</i>	<u>1,085,318</u>	<u>1,085,318</u>	<u>1,085,318</u>	<u>-</u>
<i>Fund Balance at End of Year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,103,037</u>	<u>\$ 1,103,037</u>

See Accompanying Notes to the Basic Financial Statements

**Pierce Township
Clermont County**

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2012*

Note 1 - Reporting Entity

Pierce Township, Clermont County, Ohio (the Township), is a body politic and corporate established in 1853 to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly elected three-member Board of Trustees. The Township also has an elected Financial Officer.

The reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements are not misleading.

Primary Government

The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the Township. The Township provides general government services, maintenance of Township roads and bridges, police protection, and cemetery maintenance. The Township contracts with Union Township for fire and emergency medical services protection.

Component Units

Component units are legally separate organizations for which the Township is financially accountable. The Township is financially accountable for an organization if the Township appoints a voting majority of the organization's governing board and (1) the Township is able to significantly influence the programs or services performed or provided by the organization; or (2) the Township is legally entitled to or can otherwise access the organization's resources; the Township is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide support to, the organization; or the Township is obligated for the debt of the organization. The Township is also financially accountable for any organizations that are fiscally dependent on the Township in that the Township approves their budget, the issuance of their debt, or the levying of their taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Township, are accessible to the Township, and are significant in amount to the Township. The Township had no component units.

Public Entity Risk Pool

The Township participates in two public entity risk pools, the Ohio Township Association Risk Management Authority and the Center for Local Government Benefits Pool. Notes 6 and 11 to the financial statements provide additional information for these entities.

**Pierce Township
Clermont County**

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2012*

Note 2 - Summary of Significant Accounting Policies

These financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America. Generally accepted accounting principles (GAAP) include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the Township's accounting policies.

Basis of Presentation

The Township's basic financial statements consist of government-wide financial statements, including a Statement of Net Position and a Statement of Activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the Township as a whole. These statements include the financial activities of the primary government. The statements usually distinguish between those activities of the Township that are governmental and those that are considered business-type. The Township, however, has no activities which are reported as business-type. Governmental activities generally are financed through taxes, intergovernmental receipts, or other nonexchange transactions.

The Statement of Net Position presents the cash and investment balances of the governmental activities of the Township at year-end. The Statement of Activities compares disbursements with program receipts for each of the Township's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Township is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants that is required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the Township's general receipts.

Fund Financial Statements

During the year, the Township segregates transactions related to certain Township functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Township at this more detailed level. The focus of governmental fund financial statements is on major funds, rather than reporting by fund type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

Pierce Township
Clermont County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

Note 2 - Summary of Significant Accounting Policies (continued)

Fund Accounting

The Township uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. The funds of the Township are all classified as governmental.

Governmental Funds

The Township classifies funds financed primarily from taxes, intergovernmental receipts (e.g., grants), and other nonexchange transactions as governmental funds. Monies are assigned to the various governmental funds according to the purposes for which they may or must be used. The following are the Township's major governmental funds:

General Fund: This fund is the general operating fund and accounts for and reports all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

Road and Bridge Fund: This fund accounts for and reports all disbursements committed to roads, including improvements, paving, snow removal, salt/sand, gravel, blacktop, maintenance, payroll, supplies, purchases, fuel, vehicle equipment, and maintenance. This fund is also used for construction of new and future facilities.

Police Fund: This fund accounts for and reports proceeds from property taxes restricted for police department operations and protection services.

Fire Fund: This fund accounts for and reports proceeds from property taxes restricted for fire department and life squad protection and emergency services.

Garbage and Waste Disposal District Fund: This fund accounts for and reports charges restricted to garbage and waste collection, as well as payments to a private trash removal service.

The other governmental funds of the Township account for grants and other resources whose use is restricted to a particular purpose. Committed resources in the other governmental funds are for emergency medical services.

**Pierce Township
Clermont County**

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2012*

Note 2 - Summary of Significant Accounting Policies (continued)

Basis of Accounting

The Township's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Township's financial records and reported in the financial statements when cash is received rather than when earned, and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Township are described in the appropriate section in this note.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued liabilities and the related expenses) are not recorded in these financial statements.

Budgetary Process

All funds are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Township may appropriate. The appropriations resolution is the Township's authorization to spend resources and sets limits on disbursements plus encumbrances at the level of control selected by the Township. The legal level of control has been established at the fund, department, and object level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Financial Officer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Township Trustees.

The appropriations resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriations resolution for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Township Trustees during the year, including all supplemental appropriations.

**Pierce Township
Clermont County**

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2012*

Note 2 - Summary of Significant Accounting Policies (continued)

Cash and Investments

To improve cash management, cash received by the Township is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the Township's records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements.

Investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the Township are presented on the financial statements as cash and cash equivalents.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts, respectively.

During 2012, the Township invested in nonnegotiable certificates of deposit and STAROhio. The nonnegotiable certificates of deposit are reported at cost.

STAROhio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's net asset value per share, which is the price the investment could be sold for on December 31, 2012.

Interest earnings are allocated to Township funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2012 were \$5,639, which includes \$5,156 assigned from other Township funds.

Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Township's cash basis of accounting.

Employer Contributions to Cost-Sharing Pension Plans

The Township recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 7 and 8, the employer contributions include portions for pension benefits and for post-retirement health care benefits.

**Pierce Township
Clermont County**

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2012*

Note 2 - Summary of Significant Accounting Policies (continued)

Long-Term Obligations

The Township's cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid.

Net Position

Net position is reported as restricted when there are limitations imposed on its use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes includes resources restricted for cemetery programs and two Tax Increment Financing (TIFs) agreements. Both TIFs were drafted with specific purposes for the anticipated revenue. The Township's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net position is available.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Township is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable: The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

Restricted: The restricted fund balance category includes amounts that can be spent only for specific purposes stipulated by constitution, external resource providers, or through enabling legislation. Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation.

Enabling legislation authorizes the Township to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the Township can be compelled by an external party-such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

**Pierce Township
Clermont County**

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2012*

Note 2 - Summary of Significant Accounting Policies (continued)

Committed: The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (resolution) of the Township Trustees. Those committed amounts cannot be used for any other purpose unless the Township Trustees remove or change the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by the Township Trustees, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned: Amounts in the assigned fund balance classification are intended to be used by the Township for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. Assigned amounts represent intended uses established by the Township Trustees. The Township Trustees have authorized the financial officer to assign fund balance for purchases on order provided those amounts have been lawfully appropriated.

Unassigned: Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The Township applies restricted resources first when disbursements are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when disbursements are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**Pierce Township
Clermont County**

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2012*

Note 3 - Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance - Budget and Actual (Budget Basis) presented for the General, Road and Bridge, Police, Fire, and Garbage and Waste Disposal District Funds are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the cash basis are outstanding year-end encumbrances, which are treated as cash disbursements (budgetary basis) rather than restricted or committed of fund balance (cash basis).

The following table summarizes the adjustments necessary to reconcile the cash basis statements to the budgetary basis statements for the General Fund, Road and Bridge Fund, Police Fund, Fire Fund, and Garbage and Waste Disposal District Fund.

Net Change in Fund Balance

	General	Road and Bridge	Police	Fire	Garbage and Waste Disposal District
Cash Basis	\$166,340	(\$5,957)	\$487,408	\$114,818	\$122,274
Adjustment for Encumbrances	0	(37,983)	0	(764)	(104,555)
Budget Basis	<u>\$166,340</u>	<u>(\$43,940)</u>	<u>\$487,408</u>	<u>\$114,054</u>	<u>\$17,719</u>

Note 4 - Deposits and Investments

Monies held by the Township are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Township treasury. Active monies must be maintained either as cash in the Township treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Trustees have identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

**Pierce Township
Clermont County**

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2012*

Note 4 - Deposits and Investments (continued)

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Township can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
6. The State Treasurer's investment pool (STAR Ohio); and
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 25 percent of the interim monies available for investment at any one time.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. Investments may only be made through specified dealers and institutions.

**Pierce Township
Clermont County**

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2012*

Note 4 - Deposits and Investments (continued)

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$6,756,378 of the Township's bank balance of \$8,556,908 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the Township to a successful claim by the FDIC.

The Township has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Township or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least 105 percent of the deposits being secured.

Investments

As of December 31, 2012, the Township had the following investments:

	Investment Maturities (in Years)	
	Fair Value	Less than 1
STAROhio	<u>\$1,116,820</u>	<u>\$1,116,820</u>

Interest Rate Risk - Interest rate risk arises because the fair value of investments changes as interest rates change. The Township's investment policy follows State statute, which requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation of debt of the Township, and that an investment must be purchased with the expectation that it will be held to maturity.

Credit Risk - STAROhio carries a rating of AAAM by Standard and Poor's. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The Township's investment policy limits investments to those authorized by State statute.

Concentration of Credit Risk - The Township places no limit on the amount it may invest in any one issuer; however, State statute limits investments in commercial paper and bankers' acceptances to 25 percent of the interim monies available for investment at any one time.

**Pierce Township
Clermont County**

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2012*

Note 5 - Property Taxes

Property taxes include amounts levied against all real property and public utility property located in the Township. Property tax revenue received during 2012 for real and public utility property taxes represents collections of 2011 taxes.

2012 real property taxes were levied after October 1, 2012, on the assessed value as of January 1, 2012, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2012 real property taxes are collected in and intended to finance 2013.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2012 public utility property taxes became a lien on December 31, 2011, were levied after October 1, 2012, and are collected in 2013 with real property taxes.

The full tax rate for all Township operations for the year ended December 31, 2012, was \$21.80 per \$1,000 of assessed value. The assessed values of real and personal property upon which 2012 property tax receipts were based are as follows:

Real Property	
Residential/Agricultural	\$301,510,940
Commercial/Industrial	40,609,000
Public Utility Personal	58,205,220
Total Assessed Value	<u>\$400,325,160</u>

Note 6 - Risk Management

Property and Liability

The Township is exposed to various risks of property and casualty losses and injuries to employees.

The Township insures against injuries to employees through the Ohio Bureau of Workers' Compensation.

**Pierce Township
Clermont County**

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2012*

Note 6 - Risk Management (continued)

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of OTARMA and provides underwriting, claims, loss control, risk management, and reinsurance services for OTARMA. OTARMA is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements, and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides OTARMA with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2012, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge OTARMA's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles and reported the following assets, liabilities, and net position at December 31, 2012, and 2011.

	<u>2012</u>	<u>2011</u>
Assets	\$34,771,270	\$35,086,165
Liabilities	<u>(9,355,082)</u>	<u>(9,718,792)</u>
Net Position	<u>\$25,416,188</u>	<u>\$25,367,373</u>

At December 31, 2012, and 2011, respectively, the liabilities above include approximately \$8.8 and \$9.1 million of estimated incurred claims payable. The assets above also include approximately \$7.9 and \$8.6 million of unpaid claims to be billed to approximately 944 member governments in the future, as of December 31, 2012, and 2011, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2012, the Township's share of these unpaid claims collectible in future years is approximately \$60,902.

**Pierce Township
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*Notes to the Basic Financial Statements
For the Year Ended December 31, 2012*

Note 6 - Risk Management (continued)

Based on discussions with OTARMA, the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

Contributions to OTARMA

<u>2012</u>	<u>2011</u>
\$90,899	\$90,817

After one year of membership, a member may withdraw on the anniversary of the date of joining OTARMA, if the member notifies OTARMA in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

Medical

The Township provides a limited medical, surgical, prescription drug, and life insurance program for its employees through a public entity shared risk pool. The Center for Local Government Benefits Pool (Benefits Pool) contracts with Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA) for claims servicing (Note 11). Premiums are paid by the Township to the Benefits Pool. OME-RESA contracts with United Healthcare to service the claims of Benefits Pool members. The Benefits Pool covers claims up to \$75,000 per individual. Plan participants also participate in a shared risk internal pool for individual claims between \$75,000 and \$500,000. The Township also has a stop loss insurance policy through OME-RESA which covers individual claims in excess of \$500,000 per employee per year for medical claims.

**Pierce Township
Clermont County**

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2012*

Note 7 - Defined Benefit Pension Plan

A. Ohio Public Employees Retirement System

Plan Description - The Township participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the traditional plan benefit. Member contributions, the investment of which is self-directed by the member, accumulate retirement assets in a manner similar to the member-directed plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the Traditional and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy - The Ohio Revised Code provides statutory authority for member and employer contributions and currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units and 18.1 percent of covered payroll for public safety and law enforcement employer units. Member contribution rates, as set forth in the Ohio Revised Code, are not to exceed 10 percent of covered payroll for members in the state and local classifications and 12.1 percent for public safety and law enforcement employer units. For the year ended December 31, 2012, members in state and local classifications contributed 10 percent of covered payroll while public safety members contributed 11.5 and 12.1 percent, respectively. Effective January 1, 2013, the member contribution rate for public safety and law enforcement increased to 12 percent and 12.6 percent, respectively. While members in the state and local classifications may participate in all three plans, public safety and law enforcement classifications exist only within the traditional plan. For 2012, member and employer contribution rates were consistent across all three plans.

**Pierce Township
Clermont County**

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2012*

Note 7 - Defined Benefit Pension Plan (continued)

The Township's 2012 contribution rate was 14 percent, except for those plan members in public safety and law enforcement, for whom the Township's contribution was 18.1 percent of covered payroll. The portion of the Township's contribution used to fund pension benefits is net of post-employment health care benefits. The portion of the Township's contribution allocated to health care for members in the traditional plan was 4 percent for 2012. The portion of the employer contribution allocated to health care for members in the combined plan was 6.05 percent for 2012. Employer contribution rates are actuarially determined.

The Township's required contributions for pension obligations to the Traditional and Combined Plans for the years ended December 31, 2012, 2011, and 2010 was \$207,247, \$209,961, and \$191,687, respectively. The full amount has been contributed for all three years. Contributions to the Member-Directed Plan for 2012 were \$11,217 made by the Township and \$8,012 made by plan members.

Ohio Police and Fire Pension Fund

Plan Description - The Township contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by visiting www.op-f.org or by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy - The Ohio Revised Code requires plan members to contribute 10 percent of their annual covered salary while employers are required to contribute 19.5 percent for police officers and 24 percent for firefighters. The OP&F Pension Fund is authorized by the Ohio Revised Code to allocate a portion of the employer contributions to retiree health care benefits. The portion of employer contributions used to fund pension benefits was 12.75 percent of covered payroll for police officers and 17.25 percent of covered payroll for firefighters. The Township's police personnel contribute to OPERS. The Township's contributions to OP&F for firefighters pension were \$128,568 for the year ended December 31, 2012, \$126,377 for the year ended December 31, 2011, and \$124,390 for the year ended December 31, 2010, respectively. The full amount has been contributed for all three years.

**Pierce Township
Clermont County**

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2012*

Note 8 - Post-Employment Benefits

Ohio Public Employees Retirement System

Plan Description - Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan-a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan-a defined contribution plan; and the Combined Plan-a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing multiple-employer defined benefit post-employment health care plan for qualifying members of both the Traditional and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. The plan includes a medical plan, prescription drug program, and Medicare Part B premium reimbursement.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not mandate, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report which may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Funding Policy - The postemployment health care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). The Ohio Revised Code provides the statutory authority requiring public employers to fund post-employment health care through contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-employment health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2012, state and local employers contributed 14 percent of covered payroll and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code.

**Pierce Township
Clermont County**

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2012*

Note 8 - Post-Employment Benefits (continued)

Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 4 percent for 2012. The portion of employer contribution allocated to health care for members in the Combined Plan was 6.05 percent for 2012. Effective January 1, 2013, the portion of the employer contribution allocated to health care was lowered to 1 percent for both plans as recommended by the OPERS actuary.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment health care plan.

The Township's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2012, 2011, and 2010 were \$107,647, \$67,640, and \$89,732, respectively. The full amount has been contributed for all three years.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 9, 2012, with a transition plan commencing on January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contribution toward the health care fund after the end of the transition period.

Ohio Police and Fire Pension Fund

Plan Description - The Township contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored health care program, a cost-sharing multiple-employer defined post-employment health care plan administered by OP&F. OP&F provides health care benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium, and long-term care to retirees, qualifying benefit recipients, and their eligible dependents.

OP&F provides access to post-retirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit check or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45.

The Ohio Revised Code allows, but does not mandate, OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

**Pierce Township
Clermont County**

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2012*

Note 8 - Post-Employment Benefits (continued)

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by visiting www.op-f.org or by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy - The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F defined benefit pension plan. Participating employers are required by the Ohio Revised Code to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.5 percent and 24 percent of covered payroll for police and firefighters, respectively. Active members do not make contributions to the OPEB Plan.

OP&F maintains funds for health care in two separate accounts. One for health care benefits under an IRS Code Section 115 trust and one for Medicare Part B reimbursements administrated as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2012, the employer contribution allocated to the health care plan was 6.75 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

The OP&F Board of Trustees also is authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The Township's contributions to OP&F which were allocated to fund post-employment health care benefits for firefighters were \$50,309 for the year ended December 31, 2012, \$49,452 for the year ended December 31, 2011, and \$48,674 for the year ended December 31, 2010. The full amount has been contributed for all three years.

Pierce Township
Clermont County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

Note 9 - Debt

The changes in the Township's long-term obligations during 2012 were as follows:

<u>Types / Issues</u>	<u>Balance 12/31/11</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance 12/31/12</u>	<u>Due Within One Year</u>
<u>Governmental Activities:</u>					
<u>General Long-Term Obligations</u>					
Fire Equipment Bond - 3.89%	\$72,309	\$0	\$35,484	\$36,825	\$36,825
Locust Lake Loan - 4.15%	131,933	0	12,771	119,162	13,311
Total - General Long-Term Obligations	204,242	0	48,255	155,987	50,136
<u>Other Long-Term Obligations</u>					
Fire Truck Lease- 4.65%	320,727	0	33,502	287,225	35,201
Total - All General Long-Term Obligations	<u>\$524,969</u>	<u>\$0</u>	<u>\$81,757</u>	<u>\$443,212</u>	<u>\$85,337</u>

The Township issued \$310,000 in general obligation bonds for the purchase of fire equipment. The bonds were issued at a 3.89 percent interest rate, with final maturity on October 15, 2013, and will be repaid from Other Governmental Funds.

During 2010, the Township entered in to a loan agreement with PNC Bank for a \$150,000 loan to purchase property. The loan was issued at a 4.15 percent interest rate, with final maturity on September 30, 2020. The loan will be paid from the General Fund.

The following is a summary of the Township's future annual debt service requirements:

<u>Year Ending December 31,</u>	<u>Fire Bonds</u>		<u>Locust Lake Loan</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2013	\$36,825	\$1,079	\$13,311	\$4,689
2014	0	0	13,874	4,126
2015	0	0	14,461	3,539
2016	0	0	15,073	2,928
2017	0	0	15,710	2,290
2018-2020	0	0	46,733	2,784
<u>Total</u>	<u>\$36,825</u>	<u>\$1,079</u>	<u>\$119,162</u>	<u>\$20,356</u>

The Ohio Revised Code provides that net general obligation debt of the Township, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed 5.5 percent of the tax valuation of the Township. The Revised Code further provides that total voted and unvoted net debt of the Township less the same exempt debt shall never exceed an amount equal to 10.5 percent of its tax valuation. The effects of the debt limitations at December 31, 2012, were an overall debt margin of \$41,878,155 and an unvoted debt margin of \$220,179.

**Pierce Township
Clermont County**

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2012*

Note 10 - Leases

In 2008, the Township entered into a capital lease purchase agreement for a new fire truck. Total lease payments for 2012 included \$33,502 for principal and \$16,264 for interest.

Year Ending December 31,	Principal	Interest	Total
2013	\$35,201	\$14,565	\$49,766
2014	36,986	12,780	49,766
2015	38,861	10,905	49,766
2016	40,832	8,934	49,766
2017	42,903	6,864	49,767
2018-2019	92,442	7,090	99,532
<u>Total</u>	<u>\$287,225</u>	<u>\$61,138</u>	<u>\$348,363</u>

Note 11 - Shared Risk Pool

Ohio Township Association Risk Management Authority

The Township is a member of the Ohio Township Association Risk Management Authority, a risk-sharing pool. For more information on OTARMA, see note 6.

Center for Local Governments Benefits Pool

The Township is a member of the Center for Local Governments Benefits Pool (Benefits Pool), a public entity shared risk pool. The Benefits Pool's primary purpose and objective is establishing and carrying out a cost effective cooperative health program for its member organizations. Each member is entitled to appoint one Director on the Board of Directors. OME-RESA serves as the fiscal agent for the Benefits Pool.

The Benefits Pool contracts with the Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA), a risk sharing, claims servicing, and insurance purchasing pool comprised of 75 members including two insurance consortiums. Each participant appoints a member of the insurance plan's assembly. The Benefits Pool's business and affairs are conducted by a nine member Board of Directors elected from the assembly. The Benefits Pool offers medical, dental, and prescription drug coverage to the members with the opportunity to choose from several different benefit plans. The Benefits Pool is responsible for claims up to \$75,000 per individual. Benefits Pool participants also participate in a shared risk internal pool for individual claims between \$75,000 and \$500,000, and all claims within this range are paid from the shared internal risk pool. For all individual claims exceeding \$500,000, stop loss coverage is purchased. All Benefits Pool participants also pay a monthly administrative fee for fiscal services and third party administrative services.

**Pierce Township
Clermont County**

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2012*

Note 11 - Shared Risk Pool (continued)

In the event that the Township would withdraw from the Benefits Pool, the Township would be required to give a 180 day notice prior to the end of their three year contract and be responsible for any current payments due as well as the Township's share of any reserve deficit of the Benefits Pool. To obtain information for the Benefits Pool, write to the fiscal agent, OME-RESA, 2023 Sunset Boulevard, Stuebenville, Ohio 43952.

Note 12 - Contingent Liabilities

Federal and State Grants

Amounts grantor agencies pay to the Township are subject to audit and adjustment by the grantor, principally the federal government. Grantors may require refunding of any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

Litigation

The Township is a defendant in various lawsuits. Although management cannot presently determine the outcome, they believe the resolution of these matters will not materially adversely affect the Township's financial condition.

**Pierce Township
Clermont County**

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2012*

Note 13 - Fund Balances

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Township is bound to observe constraints imposed upon the use of the resources in the governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below.

Fund Balances	General	Road and Bridge	Police	Fire	Garbage and Waste Disposal District	Other Governmental	Total
<u>Restricted for:</u>							
Public Works	\$0	\$0	\$0	\$0	\$1,207,592	\$1,372,774	\$2,580,366
Capital Improvements	0	0	0	0	0	380	380
Debt Payments	0	0	0	0	0	92,232	92,232
Health	0	0	0	0	0	84,588	84,588
Public Safety	0	0	3,070,731	965,750	0	514,167	4,550,648
<i>Total Restricted</i>	<u>0</u>	<u>0</u>	<u>3,070,731</u>	<u>965,750</u>	<u>1,207,592</u>	<u>2,064,141</u>	<u>7,308,214</u>
<u>Committed to:</u>							
Public Works	0	543,350	0	0	0	0	543,350
<i>Total Committed</i>	<u>0</u>	<u>543,350</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>543,350</u>
<u>Unassigned</u>	<u>1,688,966</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,688,966</u>
Total Fund Balances	<u><u>\$1,688,966</u></u>	<u><u>\$543,350</u></u>	<u><u>\$3,070,731</u></u>	<u><u>\$965,750</u></u>	<u><u>\$1,207,592</u></u>	<u><u>\$2,064,141</u></u>	<u><u>\$9,540,530</u></u>

Note 14 - Change in Accounting Principles

For 2012, the Township has implemented Governmental Accounting Standards Board (GASB) Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements".

GASB Statement No. 62 incorporates into GASB's authoritative literature certain FASB and AICPA pronouncements issued on or before November 30, 1989. The implementation of this statement did not result in any change to the Township's financial statements.

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

December 3, 2014

Pierce Township
Clermont County
950 Locust Corner Road
Cincinnati, OH 45245

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of **Pierce Township**, Clermont County, Ohio (the Township), as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements and have issued our report thereon dated December 3, 2014, wherein we noted the Township uses a special purpose framework other than generally accepted accounting principles.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Township's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Township's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated December 3, 2014.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Township's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Township's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio



Dave Yost • Auditor of State

PIERCE TOWNSHIP

CLERMONT COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 31, 2014**